

sh
Cincinnati-Porcupine

Mines Limited



*The Prospect of Today
is the Mine of To-morrow*

*Annual Report
to the
Shareholders*

FOR THE FISCAL YEAR ENDED DECEMBER 31ST, 1967

AND

FOR THE SIX-MONTH PERIOD ENDING JUNE 30TH, 1968

Cincinnati-Porcupine

Mines Limited

OFFICERS

President - - - - - BERT W. LANG

Secretary - - - - - R. A. CRANSTON, Q.C.

Treasurer, Assistant Secretary - - - - - E. A. PIGULSKI

DIRECTORS

BERT W. LANG

R. A. CRANSTON, Q.C.

R. W. PINGLE

E. A. PIGULSKI

E. N. DORAN

HEAD OFFICE

Suite 1705, 80 Richmond St. West
Toronto, Ont.

TRANSFER AGENT AND REGISTRAR

CANADA PERMANENT TRUST COMPANY

253 Bay Street
Toronto, Ont. Canada

THE ANNUAL MEETING WILL BE HELD ON THURSDAY,
JULY 25th, 1968, AT 11:30 O'CLOCK IN THE FORENOON, TORONTO TIME,
AT SUITE 1705, 80 RICHMOND STREET WEST, TORONTO, ONTARIO

CINCINNATI-PORCUPINE MINES LIMITED

Report of the Directors

To the Shareholders:

The Annual Report of the Company, submitted herewith, includes Balance Sheets with Auditors' Reports, Statements of Deferred Expenditures, Statements of Deficit and Statements of Source and use of Funds for the periods ending December 31st, 1967 and June 30th, 1968, and a Summary Report on the Company's properties by L. G. Phelan, M.A.Sc., P.Eng., Consulting Geologist.

Robb Township — Timmins Area:

Cincinnati holds a group of 115 claims with an area of about 4,500 acres in Robb Township covering for a length of three miles the projected extension of the geological formations in which the ore bodies are located at the Kam-Kotia Mine adjoining Cincinnati on the east. The Kam-Kotia Mine property covers a length of about one mile on these formations. Of these claims, six patented claims are held under option on which \$95,000 has been paid, with further payments of \$10,000 payable on or before January 2nd, 1969, and \$25,000 on or before July 2nd, 1969. In order to exercise the option, 130,000 shares of Cincinnati must be issued from a block of shares donated by a shareholder and held in trust for this purpose.

During the past four years extensive geophysical surveys have been performed on the property in Robb Township. Drilling to date totals 19,541 feet in 22 holes. The first three holes located west of the Kam-Kotia boundary were spaced over 600 ft. apart. The results of this drilling returned some low values in the wide mineralized zones in which the orebodies are located in the Kam-Kotia Mine. It is believed that it is the practice at the Kam-Kotia Mine to drill these zones at close intervals in order to locate orebodies which in many cases are of limited horizontal and vertical extent but due to their great widths contain substantial tonnages.

When the drifts on the deep levels in the Kam-Kotia Mine have been extended west to locations adjacent to the Cincinnati - Kam-Kotia boundary, it is hoped to make an arrangement with Kam-Kotia to extend the drifts on one or more of its deeper levels into the Cincinnati property so that the extensions of the Kam-Kotia ore bearing zones may be tested on the Cincinnati property by drilling at close intervals and at depths down to approximately 1,600 ft.

Jessop Township — Timmins Area:

Your Company holds a group of 41 claims with an area of about 1,600 acres in Jessop Township at a location about six miles south of the Texas Gulf orebody. In an old report issued by the Ontario Department of Mines, it is stated that trenching uncovered several shear zones carrying pyrite, galena, chalcopyrite and pyrrhotite on this property. Indefinite results were secured from an E.M. survey carried out during 1966 on a grid of north-south lines. A followup survey performed late in 1967, using an E.M. unit with greater depth penetration over both north-south and east-west lines, located one relatively strong north-south conductor with an indicated length of 2,000 ft. This conductor is believed to be located at or adjacent to a favourable geological contact. A second north-south conductor was indicated with a length of over 3,000 feet. These conductors will be tested by drilling. The Texas Gulf orebody has a north-south strike.

Deloro Township — Timmins Area:

The Company continues to hold the gold bearing claim in Deloro Township.

Ste. Simeon Uranium Area — Quebec:

Your President, B. W. Lang, has granted to Cincinnati the right and option to acquire on or before August 26th, 1968, 45 mining claims and the assignment of an option to acquire an additional 11 claims by reimbursing him for his actual cost of acquiring claims in the Ste. Simeon Uranium Area in Quebec totalling \$15,000 which includes a payment of \$4,000 to the Vendors of the optioned claims and over \$3,000 for aerial radiometric surveys. The terms of the option on the 11 claims provide for a total purchase price of \$50,000 of which \$4,000 has been paid, \$4,000 payable on or before September 1st, 1968, two payments of \$6,000 each on or before December 1st, 1968 and March 1st, 1969 and three payments of \$10,000 each on or before June 1st, 1969, September 1st, 1969 and March 1st, 1970. In addition to these payments, in order to exercise the option 200,000 shares of the Company which acquires these claims must be issued to the Vendors on or before March 1st, 1970.

The block of 56 claims is located in Callieres Township, seven miles from the village of Ste. Simeon on the north shore of the St. Lawrence River and approximately 120 miles northeast of Quebec City. It covers an area of about 2,300 acres with a length of over two miles along the strike of the geological formations and an average width of about 1½ miles.

The results of an aerial radiometric survey, with lines at about ⅛th mile intervals, include 14 unusually strong radioactive anomalies indicating two main zones each about 3,000 feet long and two shorter zones. The report on this survey states:

"Conclusions — An area of unusually widespread and intense radiometric anomalies has been discovered, and its potential for finding radioactive ore deposits is considered excellent."

The initial exploration program, which is now underway, will consist of mapping of geology, a radiometric survey on the ground, trenching and sampling the radioactive zones followed by drilling the zones which yield the higher grade uranium results.

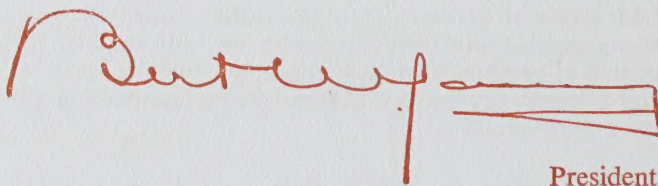
There are one major and several smaller deposits of silex or silica on this property which, based on surface areas as shown on geological maps issued by the Department of Natural Resources, Quebec, may contain very substantial tonnages. Results available on one test shows 98.34% silica and .92% alumine. These deposits, located 7 miles from a suitable site on the St. Lawrence River for deep-water shipping docks, will be tested to determine probable tonnages, grade and feasibility of mining these deposits and shipping the silica for flux in smelters and other uses.

Financing:

Your Directors are considering the method to be adopted to obtain the funds required to make option payments, to acquire the Ste. Simeon property and to finance the Company's exploration program. It is hoped that, subject to the approval of the regulatory bodies, this may take the form of an offering to the registered shareholders of the Company. A similar offering made in 1966 at 25¢ per share produced \$125,000 and an offering in 1964 at 25¢ per share yielded \$100,000.

In view of the favourable geological locations of the Company's properties and the outstanding radioactive anomalies secured by aerial survey over the uranium property, the search for orebodies may have a better than average possibility of being successful.

On behalf of the Board of Directors,

A handwritten signature in dark ink, appearing to read "B. W. Lang", followed by a horizontal line and a small rectangular box.

President.

Toronto, Ontario,
July 2nd, 1968.

CINCINNATI-PORCUPINE MINES LIMITED

Summary Report on Properties

Prepared By

L. G. PHELAN, M.A.Sc., P.ENG.
Consulting Geologist

Cincinnati-Porcupine Mines Ltd.
1705, 80 Richmond St. W.
Toronto 1, Ontario.

Dear Sirs:

The following is a summary of a more comprehensive geological report in course of preparation on the various holdings of Cincinnati-Porcupine Mines Ltd.:

Cincinnati-Porcupine Mines Ltd. holds base metal prospects in Robb Township and in Jessop Township, Timmins area, Ontario and has been offered a uranium prospect in Callieres Township in the St. Simeon area of Quebec.

The St. Simeon property consists of 56 contiguous mining claims, of which eleven are held under option. The geology of the area is imperfectly known; in general it consists of paragneisses, hornblende and biotite schists enclosed in granites and granitic gneisses. Pegmatite dikes are common. Numerous uranium occurrences are known in the vicinity.

In March 1968 an airborne radiometric survey was carried out over the claim group by Airesource Surveys Ltd. This survey revealed a number of moderate to very strong anomalies, most of which have a good uranium-thorium ratio (i.e. the radiation source, commonly both uranium and thorium, appears to be dominantly uranium). The response obtained by airborne scintillometers varies drastically with the exposure, overburden cover, and distance from source, consequently ground examination is necessary before an anomaly can be evaluated. However a number of those detected on the claim group are unusually strong and very definitely warrant ground examination. It is recommended that ground crews locate and uncover these anomalies and carry out rock trenching, sampling, etc. where warranted and necessary for evaluation. Cost is estimated at \$7,000 to \$10,000. Follow-up work that might be expected is diamond drilling and bulk sampling.

In Jessop Township in the Timmins area, some six miles south of the large Texas Gulf base metal mine, Cincinnati-Porcupine holds a total of 41 contiguous mining claims. Overburden is generally heavy so details are lacking; the claims are underlain by the acid to basic volcanic complex found throughout the area immediately north of Timmins. Iron and copper sulfides are known in acid volcanics in the vicinity.

Airborne geophysical surveys followed by ground electromagnetic and magnetometer work has disclosed two conductors of weak to moderate intensity and with some magnetic coincidence. In this favorable geological environment, and in the vicinity of a major orebody of the Texas Gulf dimensions, it is considered that any such anomaly should be investigated. A minimum of two holes totalling 600 feet is recommended to establish the source of these anomalies. Overall cost will be \$4,000 to \$5,000.

The Robb Township group consists of 115 contiguous claims adjoining to the northwest of the Kam-Kotia Mine. Six of these claims are held under option and the balance wholly owned. The southwest part of the group covers a large basic intrusive body. The bulk of the property is underlain by acid to basic volcanics; the favorable andesite-rhyolite contact area in which the Kam-Kotia orebodies are found, extends across the claim group for about three miles.

Extensive geophysical and geochemical surveys have been carried out by Cincinnati-Porcupine, followed by some 19,541 feet of diamond drilling. No mineable deposits have yet been found though values in copper, zinc, gold and silver have been intersected, and it has been established that the broad iron sulfide zone, in which Kam-Kotia's C zone orebodies are found, does extend for at least 1,500 feet into the Cincinnati-Porcupine claims. No further work is contemplated at the present time. Claims will be maintained in good standing and drilling from the deeper workings of Kam-Kotia mines is planned at a later date when these workings reach the vicinity of the Cincinnati-Porcupine boundary.

Respectfully submitted,

L. G. PHELAN, M.A.Sc., P.Eng.,
Consulting Geologist.

Toronto, Ontario,
July 2, 1968.

CINCINNATI-PORCUPINE MINES LIMITED

(Incorporated under the laws of the Province of Ontario)

BALANCE SHEET AS AT DECEMBER 31, 1967

(With comparative figures for 1966)

ASSETS

	1967	1966
Current:		
Cash	\$ 2,620	\$ 31,684
Mining Properties — at cost (Note 1)	272,869	272,864
Deferred Exploration, Development and Administrative Expenses	382,215	363,526
Organization Expenses	3,273	3,273
	<u>\$ 660,977</u>	<u>\$ 671,347</u>

LIABILITIES

Current:		
Accounts payable	\$ 2,266	\$ 12,636

SHAREHOLDERS' EQUITY

Capital Stock:		
Authorized		
7,000,000 shares of \$1 each		
Issued (Note 2)		
4,100,000 shares	\$4,100,000	\$4,100,000
Less: Discount thereon	3,447,304	3,447,304
	<u>\$ 652,696</u>	<u>\$ 652,696</u>
Contributed Surplus:		
Arising through the donation of 584,000 issued shares of the Company as part consideration for the acquisition of certain mining claims	58,400	58,400
	<u>\$ 711,096</u>	<u>\$ 711,096</u>
Deficit	52,385	52,385
	<u>\$ 658,711</u>	<u>\$ 658,711</u>
Approved by the Board:	<u>\$ 660,977</u>	<u>\$ 671,347</u>
B. W. LANG, Director.		
E. A. PIGULSKI, Director.		

AUDITORS' REPORT

To the Shareholders,
Cincinnati-Porcupine Mines Limited.

We have examined the balance sheet of Cincinnati-Porcupine Mines Limited as at December 31, 1967 and the statements of deferred exploration, development and administrative expenses and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Company as at December 31, 1967 and the results of its operations and the source and use of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario,
June 6, 1968.

GLENDINNING, JARRETT, GOULD & CO.,
Chartered Accountants.

CINCINNATI-PORCUPINE MINES LIMITED

STATEMENT OF DEFERRED EXPLORATION, DEVELOPMENT AND ADMINISTRATIVE EXPENSES

For the year ended December 31, 1967

(With comparative figures for 1966)

Exploration and Development Expenses:	1967	1966
Deloro Township	\$ 11	\$ 11
Robb Township		
Acreage taxes	\$ 37	\$ 39
Aerial geophysical survey		22
Assaying	104	140
Consultants' fees		100
Diamond drilling	10,003	68,943
Extensions and filing fees	350	101
Field expenses		157
Geological surveys	1,206	1,081
Ground geophysical surveys	888	8,234
Line cutting	798	2,716
Maps, prints and searches	37	146
	13,423	81,679
Jessop Township		
Acreage taxes	\$ 20	\$ 20
Aerial geophysical surveys		400
Consultants' fees		75
Camp expenses	149	
Ground geophysical surveys	1,616	
Line cutting	1,040	
Maps, prints and searches	510	6
	3,335	501
General		
Miners' fees and licences	100	100
	\$ 16,869	\$ 82,291
Administrative Expenses:		
Accounting and audit	\$ 500	\$ 650
Bank charges and interest	1	687
Legal and secretarial	400	2,505
Miscellaneous expense	20	1,727
Office services and accommodation	150	300
Publicity		724
Shareholders' meetings and reports		490
Stationery and printing		11
Stock certificates		252
Taxes and filing fees	20	220
Transfer agents and registrars' fees	729	799
Telephone and telegraph		139
	1,820	8,504
	\$ 18,689	\$ 90,795
Less: Investment income		2,633
Net Exploration, Development and Administrative Expenses for the Year	\$ 18,689	\$ 88,162
Deferred Exploration, Development and Administrative Expenses at Beginning of Year	363,526	275,364
Deferred Exploration, Development and Administrative Expenses at End of Year	\$ 382,215	\$ 363,526

CINCINNATI-PORCUPINE MINES LIMITED

STATEMENT OF SOURCE AND USE OF FUNDS

For the year ended December 31, 1967

(With comparative figures for 1966)

	1967	1966
Source of Funds:		
Issue of capital stock	\$	\$ 314,038
Use of Funds:		
Increase in deferred expenditures (net)	\$ 18,689	\$ 88,162
Acquisition of mining properties	5	49,420
Increase in organization expenses		910
	<u>\$ 18,694</u>	<u>\$ 138,492</u>
Increase (decrease) in working capital	\$ (18,694)	\$ 175,546
Working capital, beginning of year	19,048	(156,498)
Working capital, end of year	<u>\$ 354</u>	<u>\$ 19,048</u>

NOTES TO FINANCIAL STATEMENTS

1. An option to purchase mining properties may be fully exercised on or before July 2, 1968 by payment of \$50,000 and by issuance of 30,000 fully paid and non-assessable shares in the Company to which the claims are transferred.
2. Of the issued shares, 500,000 shares were placed in trust by a shareholder to be used for the purpose of acquiring mining properties. Of these shares, 184,000 shares have been used for this purpose, leaving a balance of 316,000 shares. Such of these shares as remain in trust after July 5, 1968 shall be transferred to the shareholder.
3. The Company has undertaken to a shareholder that no reorganization of its share capital, other than an increase in the authorized capital, will be undertaken before January 17, 1971 without consent of the shareholder.
4. As at December 31, 1967, a total of 400,000 shares of the Company was held in escrow, subject to release and/or transfer with the consent of the Ontario Securities Commission.
5. The Company has undertaken to reimburse another Company for development work totalling \$41,144.20 carried out by that Company, on one of the claims. This amount is payable out of operating profits, if any, derived from the claim. The Company is not liable for any payments as at December 31, 1967.

CINCINNATI-PORCUPINE MINES LIMITED

(Incorporated under the laws of the Province of Ontario)

BALANCE SHEET AS AT JUNE 30, 1968

(With comparative figures for 1967)

ASSETS

Current	1968	1967
Cash	\$ 1,318	\$ 4,641
Mining Properties — at cost (Notes 1 and 2)	288,222	272,869
Deferred Exploration, Development and Administrative Expenses	385,401	378,148
Organization Expenses	3,273	3,273
	<u>\$ 678,214</u>	<u>\$ 658,931</u>

LIABILITIES

Current		
Accounts payable	\$ 19,503	\$ 220

SHAREHOLDERS' EQUITY

Capital Stock		
Authorized		
7,000,000 shares of \$1 each		
Issued (Note 3)		
4,100,000 shares	\$4,100,000	\$4,100,000
Less: Discount thereon	3,447,304	3,447,304
	<u>\$ 652,696</u>	<u>\$ 652,696</u>
Contributed Surplus		
Arising through the donation of 584,000 issued shares of the Company as part consideration for the acquisition of certain mining claims ..	58,400	58,400
	<u>\$ 711,096</u>	<u>\$ 711,096</u>
Deficit	52,385	52,385
	<u>\$ 658,711</u>	<u>\$ 658,711</u>
	<u>\$ 678,214</u>	<u>\$ 658,931</u>

Approved by the Board:

B. W. LANG, Director.

E. A. PIGULSKI, Director.

AUDITORS' REPORT

To the Shareholders,
Cincinnati-Porcupine Mines Limited.

We have examined the balance sheet of Cincinnati-Porcupine Mines Limited as at June 30, 1968 and the statements of deferred exploration, development and administrative expenses and source and use of funds for the six months then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Company as at June 30, 1968 and the results of its operations and the source and use of its funds for the six months then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding fiscal period.

Toronto, Ontario,
July 4, 1968.

GLENDINNING, JARRETT, GOULD & CO.,
Chartered Accountants.

CINCINNATI-PORCUPINE MINES LIMITED

STATEMENT OF DEFERRED EXPLORATION, DEVELOPMENT AND ADMINISTRATIVE EXPENSES

For the six months ended June 30, 1968

(With comparative figures for 1967)

	1968	1967
Exploration and Development Expenses		
Robb Township		
Acreage taxes and lease rentals	\$ 628	
Assaying		\$ 104
Diamond drilling		10,003
Extension and filing fees	44	240
Geological surveys		1,206
Ground, geophysical surveys		888
Line cutting		798
Maps, prints and searches	61	23
	<u>\$ 733</u>	<u>\$ 13,262</u>
Jessop Township		
Ground geophysical surveys	\$ 261	
Line cutting	300	
Maps, prints and searches	192	257
	<u>\$ 753</u>	<u>\$ 257</u>
General		
Miners' fees and licences	\$ 100	\$ 100
	<u>\$ 1,586</u>	<u>\$ 13,619</u>
Administrative Expenses		
Accounting and audit	\$ 500	
Bank charges and interest	21	\$ 1
Legal and secretarial	1,000	400
Miscellaneous expense	10	10
Office services and accommodation		150
Taxes and filing fees		20
Transfer agents and registrars' fees	67	422
Telephone and telegraph	2	
	<u>\$ 1,600</u>	<u>\$ 1,003</u>
Net Exploration, Development and Administrative Expenses for the Period ..	\$ 3,186	\$ 14,622
Deferred Exploration, Development and Administrative Expenses at Beginning of Period	382,215	363,526
Deferred Exploration, Development and Administrative Expenses at End of Period	<u>\$ 385,401</u>	<u>\$ 378,148</u>

CINCINNATI-PORCUPINE MINES LIMITED

STATEMENT OF SOURCE AND USE OF FUNDS

For the six months ended June 30, 1968

(With comparative figures for 1967)

Use of Funds	1968	1967
Acquisition of mining properties	\$ 15,353	\$ 5
Increase in deferred expenditures	3,186	14,622
Decrease in working capital	\$ 18,539	\$ 14,627
Working capital beginning of period	354	19,048
Working capital deficiency end of period	<u>\$ 18,185</u>	<u>\$ (4,421)</u>

NOTES TO FINANCIAL STATEMENTS

1. An option to purchase mining properties may be fully exercised on or before July 2, 1969 by payment of \$35,000 and by issuance of 130,000 fully paid and non-assessable shares in the Company to which the claims are transferred.
2. The Company has been granted the sole and exclusive right and option to purchase 445 mining claims and to acquire a further 11 mining claims set out in an Option Agreement by payment of \$15,000 on or before August 26, 1968. Such Option Agreement, in order to be fully exercised, would require payments aggregating \$46,000 at various dates ending on March 1, 1970, and issuance of 200,000 treasury shares of the Company.
3. Of the issued shares, 500,000 shares were placed in trust by a shareholder to be used for the purpose of acquiring mining properties. Of these shares, 184,000 shares have been used for this purpose, leaving a balance of 316,000 shares. Such of these shares as remain in trust after July 10, 1969 shall be transferred to the shareholder.
4. The Company has undertaken to a shareholder that no reorganization of its share capital, other than an increase in the authorized capital, will be undertaken before January 17, 1971 without consent of the shareholder.
5. As at June 30, 1968, a total of 400,000 shares of the Company was held in escrow, subject to release and/or transfer with the consent of the Ontario Securities Commission.
6. The Company has undertaken to reimburse another Company for development work totalling \$41,144.20 carried out by that Company, on one of the claims. This amount is payable out of operating profits, if any, derived from the claim. The Company is not liable for any payments as at June 30, 1968.

